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UNITED STATES PATENT APPLICATION

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FOR: PREPAID CASH EQUIVALENT CARD AND SYSTEM

BACKGROUND OF THE INVENTION

5 The present invention relates to financial instruments in the form of prepaid cards where an anonymous user may acquire a cash equivalent card for subsequent use toward the purchase of goods and services from merchants.

10 A variety of financial instruments are used in commerce to provide payment in exchange for goods or services. While each of these financial instruments generally allow an individual to purchase an item, each have different levels of convenience, visibility, anonymity, and acceptability by merchants associated with their use. Currency, for example in the form of paper and coins, allows a purchaser to effectively remain anonymous. Currency is accepted by local merchants in a particular country and is exchanged for the product to be purchased where other paper or coins are returned to the purchaser in the form of change. This type of transaction is highly visible to people in the area of the transaction as the change is counted out, and placed into a suitable carrier. It is also not directly negotiable in other countries where the money must be exchanged prior to making a purchase. Other paper based financial instruments such as traveler's checks and money orders are like cash in that they are exchanged for other forms of currency when making a purchase, but may not be as negotiable due to limited acceptance. Gift certificates, generally in predetermined increments of value, are accepted as cash, but only in exchange for goods and services at a specific merchant. Gift certificates are rarely redeemable for cash and the terms of use, exchange and redemption can be set by each individual merchant issuer with little, if any, consistency.

Financial instruments such as credit cards and debit cards do not provide any degree of anonymity since they require that the user wishing to purchase an item have a named account associated with the card. While these cards have less acceptability than cash within a particular country, they are useable internationally, based on interbank or associative arrangements among participating entities regarding acceptance of a common brand or identifier. Credit card purchases do not instantly transfer funds but instead create a receivable and a record of a transaction that the purchaser must pay later when billed by the card issuer. Credit cards allow purchases (i.e., creation of receivables) up to a specified credit limit based on an individual account relationship and determination of individual creditworthiness. Debit cards, like credit cards, are linked to a specific account of an individual at the financial institution, but transfer funds from the owner's account to the merchants account. An authorization routine is typically employed where the financial institution is contacted during the purchase to verify that the account is valid and that it has sufficient funds.

Prepaid cards are not typically associated with a financial institution, but are more likely associated with the use of a particular type of service available from a merchant based company or a utility service. Long distance phone services sell prepaid cards, where an amount of money is paid in advance of use in exchange for time or accessibility to a service. Gift certificates similarly reflect prepaid amounts, which may be used at the particular merchant or retailer issuing the certificate. Prepaid cards

that are sold by someone other than the actual issuer typically require the seller to pay for the card in advance of the consumer's ultimate purchase or at the point of sale when the card is activated.

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A different type of card is the prepaid or secured credit card. This is a limited value card where a named user is historically a poor credit risk and therefore must prepay some amount of money to a financial institution. This security money is used to safeguard the financial institution in case the user does not pay for the items purchased. Although technically not a debit card, the prepaid amounts function as a guarantee by purchaser and can be drawn against in the event the funds advanced under the credit card account are not paid.

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Each of the aforementioned financial instruments has some limitations that make them unsuitable for use in certain situations. For example, parents have given credit cards to their children for expenses incurred while away from home at school, but this creates a risk that the child may charge excessive amounts to the card during a billing period. It is also unlikely that the student would be able to acquire a credit card in their name alone, this might result in a parent establishing a joint account with the student for a credit card. All purchases made by the student are now liabilities of the parent. This is an undesirable situation for the parent. If the child is able to get a credit card in their name alone; the child may not use sound judgment in their card use and may in a short period of time create an insurmountable or difficult debt burden for themselves, adversely affecting possibly both their own and their parent's credit rating. Money or cash,

while limiting the risk of indebtedness, does not provide any degree of accountability or traceability and also may need to be exchanged if the student is located in another country. Money is also subject to theft, generally with no ability for the average individual to trace or stop further use and with little recourse or likelihood of recovery. Other paper based monetary equivalents may be converted into cash.

In virtually all cultures in the modern day, general purpose, widely accepted credit cards have become an extremely desired and often required mechanism for conducting transactions, not merely as a status symbol, but also to facilitate both personal and commercial transactions. Many people utilize cash for purchases, but would rather use a credit card or other, more secure type of device. In fact, the proliferation of catalog, direct mail and telephone sales, as well as sales of goods and services over the Internet, has become a multi-billion dollar business - all beyond the reach of anyone without a card or other generally accepted instrument that can initiate a purchase transaction through an automated electronic information processing system. Often, these individuals are unable to obtain a credit card since they do not have ready access to a bank or may have difficulty in qualifying for a line of credit perceived as profitable for many financial institutions.

What is desired therefore is a cash equivalent card and system where the purchaser does not require the formalities of an account or the rigors of credit checks and where the right to activate such a card is transferred to the user at the point of sale or where a pre-activated card is given to

the purchaser in exchange for payment. The card is identifiable, but is not associated with a named user and is readily used and transferable. The card retains an associated residual value following use based on remaining balances of prepaid amounts, where the residual value is stored in a computer associated with the system. The card usage may be recorded and tracked on a system to provide traceability of use. What is also desired is a way for the card to be partially activated at the point of sale and prior to use, such that the card may be transferred to a location where it is to be used and is then completely enabled for use. It is also desired that a controlling user may be established for the card to review and/or control the transactions via an interface to the system, for example over the Internet.

Importantly, it is desired that the prepaid cash-equivalent card be accepted by merchants that already accept credit cards such as MasterCard or VISA.

SUMMARY OF THE INVENTION

The present invention is a cash-equivalent card-based purchasing system and its method of operation. In this system, an information processing computer has a plurality of records stored in an associated storage device, each record including a unique cash-equivalent card number linked to a card value. A cash-equivalent card is provided to a user, the cash-equivalent card having encoded thereon one of the cash-equivalent card numbers stored in the storage device, the cash-equivalent card provided in exchange for consideration equivalent to at least the value linked to the cash-equivalent card number encoded thereon.

Neither the cash-equivalent card nor the storage device has any information regarding the identity of the user.

5 The user activates the cash-equivalent card for subsequent use such that a purchase transaction may be executed with a merchant for a purchase item having a corresponding purchase amount. In the purchase transaction, the user presents the cash-equivalent card to the merchant. The merchant, utilizing a purchase authorization system
10 associated with a generally accepted credit card, requests authorization from the information-processing computer that the purchase transaction amount is not greater than the remaining card value stored in the storage device. The information-processing computer then reduces the value
15 stored in the storage device by the purchase transaction amount if the authorization is successful and the transaction is consummated.

20 The activation of the cash-equivalent card may occur in various ways. In one aspect, activation data is programmed in a record in the storage device that is associated with the cash-equivalent card provided to the user. Activation may occur by altering a characteristic of data already encoded on the cash-equivalent card.
25 Activation may occur at substantially the same time that the cash-equivalent card is provided to the user, or it may occur during a card distribution phase substantially prior to the time that the cash-equivalent card is provided to the user.

30 Activation may occur by storing an activation string in a record in the storage device that is associated with the cash-equivalent card provided to the user, then

providing the activation string to the user, and then activating the subsequent use of the cash-equivalent card only after the activation string has been subsequently communicated to the information-processing computer. The activation string may be subsequently communicated to the information-processing computer via a telephone-based data entry system or an information-processing-based data entry system such as devices connected to the Internet.

The present invention also provides for variation of the value stored in the storage device in accordance with a predetermined function. For example, the predetermined function may be an increase (or a decrease) of the value as a function of time. The predetermined function may be an increase of the value in a random manner. The predetermined function may be related to the frequency that the cash-equivalent card is used for making a purchase, or it may be related to the number of purchases made within a predetermined (or randomly determined) period of time.

Regarding the cash-equivalent card, the cash-equivalent card number may be encoded in a number of ways, including, without limitation, a magnetic stripe on the card, it may be encoded in a bar code symbol printed on the card, or it may be encoded in an RF-ID transponder associated with the card.

The value may be denominated in a base currency type and the purchase amount in a purchase currency type, and if the purchase currency type is different from the base currency type, then the execution of a purchase transaction would comprise converting the purchase amount to a converted purchase amount denominated in the base currency type. The

value stored in the storage device may be reduced by a transaction, foreign exchange or other fee related to the purchase transaction.

5 Each cash-equivalent card may have associated in the storage device a record of previously executed purchase transactions. Each record of a previously executed purchase transaction may identify the types of goods and services previously purchased with the cash-equivalent card, and/or
10 identify the merchant with whom the purchase transactions have been consummated. Similarly, each cash-equivalent card may have associated in the storage device an allowable purchase item type record comprising a listing of allowable purchase item types, wherein the purchase authorization comprises transmitting to the information processing
15 computer an identification of the purchase item, determining if the purchase item is listed as an allowable purchase item type, and disallowing the transaction if the purchase item is not listed as an allowable purchase item type. Likewise,
20 each cash-equivalent card may have associated in the storage device a disallowable purchase item type record comprising a listing of disallowable purchase item types, wherein the purchase authorization comprises transmitting to the information processing computer an identification of the
25 purchase item, determining if the purchase item is listed as a disallowable purchase item type, and allowing the transaction if the purchase item is not listed as an allowable purchase item type.

30 Each allowable purchase item type record may further comprise an associated budget amount or monetary limiting amount; the purchase authorization would then further comprise the steps of allowing the purchase

transaction only if the purchase amount is not greater than the budget or limiting amount associated with the purchase item, and then reducing the budget amount associated with the purchase item by the purchase amount if the transaction is allowed. The budget or limiting amount associated with each allowable purchase item type may be controllable directly by an authorized user provided with access to the budget amounts via a user computer in selective communication with the information-processing computer or indirectly through communication by the authorized user to the controller of the information-processing computer.

BRIEF DESCRIPTION OF THE DRAWING

Figure 1 is a block diagram of the cash equivalent card and system of the present invention;

Figure 2 is an illustration of the cash equivalent card of the present invention;

Figure 3 is a data flow diagram of the card activation process of the present invention;

Figure 4 is a data flow diagram of the card transaction process of the present invention;

Figure 5 is a representation of an administration interface to the cash equivalent server of the present invention;

Figure 6 illustrates various distribution and activation processes; and

Figure 7 is a diagram of a typical data record associated with the cash equivalent card.

5 DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

10 The cash-equivalent card-based system and method of the present invention provides the ability for a consumer to purchase the card of the present invention to allow anonymous users of the cards to make subsequent purchases at any merchant location compatible with the cash equivalent system, in particular a merchant that already accepts credit cards and debit cards for payment.

15 The system shown in Figure 1 comprises an information processing computer 10, also referred to herein as a cash equivalent server connected through a communications network 18 such as the Internet to a plurality of purchase authorization devices 31 located at associated merchant POS stations 20, wherein a cardholder may use a cash equivalent card 40 in cooperation with the purchase authorization devices 31 to execute transactions with the cash equivalent server 10 which cause a corresponding value on the cash equivalent server to be reduced by a purchase amount.

25 In the preferred embodiment, the cash equivalent server 10 comprises information processing means, a storage device 14 and a connection device 12. The connection device 12 allows the purchase authorization devices 31 such as a card reader 24 to connect to the cash equivalent server 10 to perform the interactive processes of card activation, authorization, financial transaction processing, and marketing information collection. The server 10 interprets

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and processes the requests received via the connection device 12. The storage device 14 stores data related to the processes performed and preferably comprises a database to hold information about cards and the executed transactions. The database may additionally be used to store merchant information that can be used for tracking card usage and activation locations. The cash equivalent server 10 of the present invention may be linked to a financial institution such as a bank or may be associated with any commercial institution permitted to manage a value associated with a card account. For example, credit card companies could utilize the cash equivalent server 10 of the present invention to allow anonymous purchasers of the cash equivalent cards to maintain a cash balance associated with the cash equivalent card. The connection device 12 may comprise tone-based communications using a telephonedevices and modems or may comprise other forms of wired or wireless communications such that the merchant may contact the cash equivalent server 10 in some manner to perform the transactions required to verify or update the cash equivalent card balance 10 associated with the card.

In the preferred embodiment, the merchant equipment may be a point of sale terminal device 20 and a card reading device 31 (in the case of the POS/authorization system) or an activation device 30 and card activation device 32 (in the case of the card activation system) connected to the network such that the merchant devices can communicate with the cash equivalent server 12 in a manner similar to the way credit card systems are implemented. The card reader 31, 32 may be any type of card reader such as a magnetic stripe reader, RF-ID transponder reader, or a bar code scanner that can interpret the data printed on or stored in media

associated with the cash equivalent card 40.

5 The card data contained on the cash equivalent card 40
(see Figure 2) may be in the form of visible indicia such as
a bar code 41, or it may be a magnetic stripe 50 such as
what is typically found on a credit card, where the card
number 46 is applied to or identified upon a card. The cash
equivalent card 40 may be made from plastic or some other
durable yet flexible material where the card thickness is
10 compatible with existing card reading devices.

15 Referring to Figure 6, the cash equivalent card 40 may
be pre-activated by a card distributor 100 prior to
placement with a card-selling merchant 102 such that it is
ready for subsequent use at the point of purchase. In the
preferred embodiment, the cash equivalent card 40 will be
provided directly to a card selling and activating merchant
104 (or via a distributor that does not activate the card
but merely resells it), and this will require activation by
20 the merchant 104 prior to use. The cash equivalent card may
have an associated value pre-assigned to the card, such as
\$10, \$20, \$50, \$100, \$500 or \$1000, or the card may be
capable of having the value assigned by the merchant 104 at
the point of purchase and activation. The pre-assigned
25 value 44 may be displayed on the card as shown in Figure 2.
The card may optionally be assigned an expiration date 42.

30 These cards 40 are cash equivalent cards meaning that
they may be used anywhere that a merchant will accept the
card 40 toward payment of any good or service sold. Since
the cash equivalent card 40 is preferably inactivated prior
to sale as shown in part B of Figure 6, the merchant may
place these inactivated cash equivalent cards 40 on a shelf

or at an unsecured location in their store. In the manner shown in part A of Figure 6, already activated cash equivalent cards 40 may be used with this system where the cards must be stored in a secured area to prevent theft. In another embodiment, the card can be assigned a value at the point of purchase, by contacting the cash equivalent server 10 and setting the account balance corresponding to the card at the value specified.

The cash equivalent card 40 works with the cash equivalent server system of the present invention to provide a means for paying for items using predefined and prepaid value, without need to establish or maintain an account or obtain credit. Prior art general use cards require the card to have a user name associated with a card or other individual account in the name of the user or store the value within the card itself. The cash equivalent card 40, in contrast, does not require a name or any user's name to be associated with the card, but still provides the security of an activation, authorization and modern communication system. The user purchases the cash equivalent card 40 using any means of payment available to the user that is acceptable by the merchant offering the card for sale. For example, a user that pays for a cash equivalent card 40 in cash may then use the card anywhere that the card is accepted without identifying himself to the merchant using other forms of identification. If however, when payment means such as a check, credit card or debit card are used to purchase a cash equivalent card 40, the cardholder's name while known during the transaction is not associated with the actual cash equivalent card 40 account on the cash equivalent server 10. In such cases, the purchase of the card will ultimately be documented on the purchaser's

checking account or credit card statement, but no record is made of the actual account number for the cash equivalent card 40 purchased. These cards therefore, may be treated as a direct cash-equivalent.

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With regard to Figure 3, during the activation process 200 the card is read by the activation device 32 at step 204. The indicia on the card is read to determine how to contact the cash equivalent server 10 or the activation system 30 is preprogrammed to dial the proper number of the server 10. The connection device 34 of the merchant system 30 contacts the cash equivalent server 10 at step 210. The cash equivalent card number 46 is sent to the server 10 at step 214, and is the only link to the associated value maintained in storage of the cash equivalent server 10. A database may be used to track the cash equivalent cards delivered to each merchant. Verification may optionally be provided at step 218 at the point of sale and activation to assure that the card is being activated by the merchant that originally purchased the cards. In this manner, theft of the cards and attempted activation at a different location may be prevented or trigger added authorization measures or may cause the cards to become invalid. Additionally, some form of traceability may be provided for the cards to allow marketers to determine where the cards are purchased and when the cards are used at merchant facilities.

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The preassigned value of the card is determined from scanning the stripe 50 or bar code 41 and is optionally transmitted to the server 10 along with the card number 46 . The owner of the establishment desiring to sell the cards to users (i.e. the card selling merchant) is required to pay the server 10 of the present invention or an agent of the

cash equivalent server 10 all or a portion of the money received from the purchaser. This payment process is managed using prior art methods as known to those skilled in the art. In addition, at the point of purchase, the user will be provided a phone number, Internet address or other contact information to enable the verification of the remaining available balance (i.e., the value) corresponding to the card, at any time.

If the user has selected a card without a predefined value (i.e. one that can be assigned a value at the point of sale) (step 230), then the merchant provides enters the value that the card is to be assigned at step 238. The cash equivalent server verifies that the information received (card number, amount) is correct by checking the database records in storage device 14, and activates the card at step 250 accordingly. Activation may be as simple as setting a flag 320 (see Figure 7) so that subsequent uses of the card to purchase goods and services are enabled. Finally, a message is sent to the merchant at step 270 to indicate a successful activation.

As with general-purpose credit cards, the cash equivalent cards additionally may be used across country and currency boundaries, where the cardholder could purchase the card in one country and then travel to another country to make a purchase. For example, a cash equivalent card purchased in Mexico may be paid for in pesos and then used in the United States to buy an item. During the transaction, the system would allow the user to pay for the item in the currency of the country at the merchant location. Referring to Figure 7, a direct exchange calculation is made using an exchange rate calculation

process 410. The exchange rate process may be part of the cash equivalent server process or may be a process that is supported by a trusted third party or designated financial intermediary. Following conversion of the cost of the item, the value 318 is checked to assure that the remaining funds associated with that card are sufficient to pay for the item. The value is then modified to reflect the transaction amounts, and notification is sent to the merchant device approving the transaction.

In another embodiment, a local country code number may be embedded to automatically cause the dialer associated with the point of sale system or scan device to contact a local calling number to contact a mirror site of the cash equivalent server. The mirror site may reflect the associated balance to a card in the currency of that country. A synchronization process may be used to have the cash equivalent servers communicated with each other to coordinate the balance.

In another embodiment, a phone-based method may be used to purchase items where the cash equivalent server is contacted by telephone 22 (see Figure 1) in order to modify the value 318 associated with a cash equivalent card of the present invention. The merchant from a phone may call the cash equivalent server using a provided phone number. The merchant may be instructed via a voice response system to indicate the account number and the purchase amount. A separate scanner may be required in case the account number is not directly viewable or discernable by the merchant. The card may optionally have magnetic, optical, digital or other encoding or an embedded chip or other information storage means to generate signals indicative of the card and

merchant indicia.

5 The process carried out when a consumer uses his cash-
equivalent card to purchase goods or services from a
merchant who normally accepts credit cards will now be
described with regard to Figure 4. The card 40 is read in a
manner as similarly described during the activation process
where the merchant uses the card reader 31 in coordination
with a point of sale device 20. The card number that is to
10 be linked to the associated card value 318 on the cash
equivalent server 10 is read by the card reader 31 at step
104. Identification data of the card (such as the place of
issue) may also be read in addition to parameters of the
merchant (i.e. bank accounts, addresses, exchange rate) and
15 the amount of the transaction for the current purchase. The
merchant equipment contacts the server at step 110, and the
relevant information is transmitted to the cash equivalent
server 10 at step 112. The card is checked at the server 10
to ensure that it has been activated at step 116. This
20 process will check the activation flag 320 associated with
the card number 46. If the card is not valid, error
processing routines and verification steps (step 120) may be
implemented by the cash equivalent server 10, such as
comparing a voice data sample of the purchasing user that
25 requested the card to be activated or by some other known
indicia that was entered by the cardholder such as a PIN.

30 In response to the information received from the
merchant, the server 10 looks up parameters of the merchant
if available and/or looks up other data that may be used in
coordination with the information received from the merchant
device at step 122 in order to determine if a currency
conversion processes may be required. For example, if the

country or currency or language of the device indicates that conversion is required, then the corresponding conversion factors (such as the appropriate currency exchange rate) are looked up at step 124. The current value (i.e. balance) of the cash equivalent card is then retrieved from the storage device at step 126. The cash equivalent server may either keep balances for individual users in a base unit of measure or currency or a local currency to where the card was activated. The user may optionally define the currency at the point of activation by choosing the currency where the card is to be utilized. If the exchange rate is different from the base currency used in the cash equivalent server system, the exchange rate conversion process is performed that retrieves from memory 410 of the cash equivalent server (or from an alternate location) the exchange rate to be used with the transaction. The appropriate conversion rate is selected and the processor converts the value of the item or service to be purchased.

At step 130 the current value of the card available balance is compared to the requested transaction amount to verify that the purchase may be consummated. If insufficient value is available for the card, an error is issued at step 132. The error processing step may allow the user to cancel the transaction, or the user may be requested to make up the difference in the cost of the item using another payment means such as actual cash. If the comparison indicates that the value linked to the card is enough to cover the cost of the transaction (including any transaction fee or conversion fees if applicable), then the value is then decreased at step 140 to the appropriate amount. Other data from the parameters received from the merchant about the transaction may be logged at this point

to record the historical point of sale information related to the cash equivalent card. This information is preferably stored as a time-stamped and/or merchant identified record in the database that may be used to track the transactions that were recorded for that cash equivalent card. The cash equivalent server then transmits back to the merchant device the approval of the transaction at step 144.

Preferably the card and system of the present invention may be used as an extension of a generally available credit card brand utility. Such a company typically has the facility to authorize and record purchases as part of the point of sale functionality already supported. This card, while not having a name or identity associated with it, will allow cardholders to have the transaction authorized in the manner of a credit card without awkward processing steps or requesting personal identification such as is required when purchases are made by personal check.

In the preferred embodiment, the card balance is accessible for debits only, where the purchases eventually deplete the card balance or leave a small residual value that will not be redeemable toward a purchase. There may be a refund fee associated with the transaction that is either set by the merchant or by the cash equivalent service. In the preferred embodiment, refunds of the residual value may be not permitted. The cardholder would then have a card with little residual value that may be unredeemable. The system may charge a fee for carrying balances with small residual value. For example, any card with a purchase price under fifty dollars that has a residual value less than 10 percent of the original purchase price might be charged a fee to keep the card balance active on the system. This

would have the effect of reducing the value associated with the cash equivalent card to zero within a specified time period.

5 A transaction cost or fee may be assessed by the system to the cardholder account whenever the card is used. This fee may be applied to support the operation of the cash equivalent server, support personnel, or infrastructure requirements. The fee may additionally be paid to the
10 merchant that allows the card to be used. In another embodiment, the card may cost more than the face value of the card. For example, a cash equivalent card that has a net value of fifty dollars may cost the purchaser fifty-five dollars. The five dollar difference would offset the system
15 operating expenses and a portion of that fee would be directed to the merchant selling the card.

 The actual transfer of funds between the cash equivalent service and the merchants preferably uses
20 automated and/or manual payment methods known to those skilled in the art, where the cash equivalent server is credited or debited according to the transactions recorded and authorized by the system.

25 The cash equivalent card of at least one embodiment allows the cardholder to enter a PIN or other unique identifier at activation that may be checked during subsequent purchases to limit the use of the cash equivalent card to those that know the proper PIN. The authorization
30 process may inactivate the card following a predefined number of unsuccessful attempts to use the card. Since the card has no name association but can be uniquely identified in the system, loss of the card may result in loss of access

to the funds associated with the card, however, the user may still be able to link a new cash equivalent card to the remaining value associated with a lost or stolen card if they provide suitable proof of the ownership or original purchase.

The message transmitted to the cash equivalent server provides information about the merchant sufficient to enable the payment for the items purchased by a cardholder. The merchant information may comprise bank account information for the merchant such as where payment should be directed and may define the location where the purchase was made. The message may additionally provide information regarding the product(s) purchased by the cardholder. Valuable marketing information may be compiled by analyzing this product information to determine where, when and how the cash equivalent cards are used by the cardholders. Strategies for supplying new types of cash equivalent cards for the consumer market that are compatible with this system may be derived, and the marketing information may additionally be used to identify the types of products or services purchased with these cards. For example, users of these cards may purchase products that they would not typically purchase on a credit card or debit card or where using cash is not convenient.

Parents might use the cash equivalent cards to provide emergency or predefined funds to children. Businesses might use the cash equivalent cards as travel or purchase cards for employees who might otherwise require large amounts of cash. Celebrities and other famous people might use the cash equivalent cards of the present invention at hotels where they would desire to remain anonymous without carrying

around large sums of cash. The cash equivalent card, while allowing marketers to determine card spending patterns, avoids privacy problems associated with traditional card or other devices. In addition, the cards allow the cardholder to make purchases internationally where the exchange rate is immediately determined and the residual value of the card is immediately known to the cardholder and not subject to fluctuations in the exchange rate that may occur between the purchase, posting, billing and payment time.

The functionality of this cash equivalent card is also important to cardholders that are on a budget, or have been allocated a limited amount of money through the card. A parent may give a cash equivalent card to a student to be used for general purchases for a period of time. For example, a parent gives a student a cash equivalent card worth 200 dollars and expresses that this is to last the student a month.

In the preferred embodiment, a network interface is established such as via a telephone or the Internet to allow the cardholder or another that knows the card number to view or review purchases made using the card. An Internet accessible form may be used to allow the parent to enter the card number to query the transaction history for purchases made using the card. In this manner, the parent may remotely view the student's purchases on their computing device to determine how well the student allocates the funding provided. In contrast to a credit card in the name of the student and the parent, the liability of this card is limited to the card amount purchased. When the cards value is exhausted, no further purchases may be made. This enables the student to learn how to properly budget their

expenditures without risking their or their parent's credit rating. The cash equivalent server may additionally verify that the merchant is a valid merchant device able to connect to the server by initially checking a database of the data received from the card and comparing the data received to a database of valid or invalid merchant data. The system could additionally flag the system operators to an invalid attempt to have an illegitimate site request and receive payment for one or more items that were never actually purchased by tracking and analyzing suspicious merchant activity. This activity may be identified by reviewing the source location or comparing prior purchasing records to newly received transaction requests. These transactions may cause the account to be placed in a hold condition until the cardholder contacts the cash equivalent server or a representative thereof.

In another activation method the card may be purchased in one location as an inactive card or where the activation process enables the card to be provisionally or partially activated. The card may then be transported to a destination where it is fully activated for use. Alternatively, the cash equivalent card may be sent to a second party either locally or internationally via mail or courier, where the card is fully activated upon reaching the destination user. The destination user may then activate the card by communication with the cash equivalent server and entering a required card activation string, such as a pre-assigned password. The communication may be made through an Internet enabled device, a local point of sale terminal or via telephone where the user or designated merchant establishment enters the activation string to complete the activation process. . The card will not be

usable though until the activation process is completed. The second step of the activation process that is carried out at the destination will update the record again to indicate that the card has been fully enabled for use.

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The cash equivalent card and system of the present invention may provide other functionalities to the participants in the authorization process. At the point of purchase, the cash equivalent card may have control parameters that may be employed to temporarily enable or disable the ability of the card to be used by the cardholder. With regard to a prior example of a parent and a student at a remote university location, the parent (controller) of the student (target cardholder) may be able to use control codes known only to the parent to place a hold on the use of the card by contacting the cash equivalent card server via a telephone call (or pager message, Internet instruction, satellite channel, or wireless device) where an automated or manual system interface is provided to either activate or inactivate the card based on the instructions received. The Internet-based interface 300 for example (see Figure 5), may provide even more sophisticated control of the usage of the card. The controller may use the provided access codes to limit periods of use to weekends only or to allow the card to be used only in certain geographic regions. Alternatively the controller may establish budget-type rules on the server to allow the cash equivalent server to limit expenditures within defined intervals of time to not exceed to a controller-defined value. The controller may additionally restrict the types of merchants that may be permitted to receive payment from the system. The controller may enter an administrative sequence that would allow the controller to